

REDACTED VERSION

STATE OF MAINE
PUBLIC UTILITIES COMMISSION

Docket No. 99-111

August 17, 2000

MAINE PUBLIC UTILITIES COMMISSION
Standard Offer Bidding Procedure

ORDER APPROVING
STANDARD OFFER
SUPPLY CONTRACTS

WELCH, Chairman; NUGENT and DIAMOND, Commissioners

I. SUMMARY

In this Order, we approve two Installed Capability (ICAP) agreements entered into by Bangor Hydro-Electric Company (BHE) in connection with its provision of standard offer service in its service territory.

II. BACKGROUND

On February 29, 2000, we issued an order authorizing BHE's strategy to serve standard offer load in its service territory. *Order Authorizing Bangor Hydro-Electric Company to Contract for Wholesale Power Supply and Establishing Standard Office Prices*, Docket No. 99-111 (Feb. 29, 2000). Its strategy was to enter a firm energy contract for approximately 60% of the standard offer load and to provide the remainder of the standard offer requirements through the spot market. In our Order, we noted that circumstances might change, such that a modification of the strategy would be warranted. Accordingly, we required BHE to file periodic reports on its provision of standard offer service.

Consistent with our February 29th Order, BHE filed a report on June 5, 2000, stating that the Commission, among other things, should consider increasing the amount of energy under fixed priced contract to reduce the risk of high summer prices to BHE's customers. By Orders issued June 15, 2000 and June 23, 2000, we approved several supply agreements to hedge against high summer prices.

On August 7, 2000, BHE filed two agreements, under protective order, for Commission approval. The agreements are with _____ and _____. Together the two agreements provide BHE approximately 175 MW of ICAP from August 2000 through February 2001. BHE determined the quantity based on its forecasted standard offer load less load expected to enter the competitive market.

The Public Advocate indicated that he supports approval of the agreements.

III. DECISION

In a recent Order, the FERC eliminated the existing ICAP auction market, but maintained the ICAP requirement. The FERC required the ISO-NE to revert to administratively-determined sanctions for failure to meet the ICAP requirement. *Order Conditionally Accepting Congestion Management and Multi-Settlement Systems*, Docket No. EL00-62-000, *et al.* (June 28, 2000). The FERC directed the ISO-NE to propose an appropriate ICAP deficiency charge. In response, the ISO-NE proposed a charge of \$0.17/kW-yr. This amount represents the average ICAP market clearing price prior to the elimination of the auction. The matter is currently pending at FERC.

The establishment of an appropriate deficiency charge has been an extremely controversial matter in New England. Proposals regarding the charge have ranged from \$0.00 to \$8.75/kW-month. At this point there is uncertainty as to whether the FERC will accept the \$0.17/kW-month ISO-NE proposal or adopt a different charge. Under these circumstances, we find it reasonable for BHE to protect against the uncertainty regarding future ICAP costs. We have reviewed the agreements and find them reasonable. The agreements are, therefore, approved.

Dated at Augusta, Maine, this 17th day of August, 2000.

BY ORDER OF THE COMMISSION

Dennis L. Keschl
Administrative Director

COMMISSIONERS VOTING FOR: Welch
 Nugent
 Diamond

NOTICE OF RIGHTS TO REVIEW OR APPEAL

5 M.R.S.A. § 9061 requires the Public Utilities Commission to give each party to an adjudicatory proceeding written notice of the party's rights to review or appeal of its decision made at the conclusion of the adjudicatory proceeding. The methods of review or appeal of PUC decisions at the conclusion of an adjudicatory proceeding are as follows:

1. Reconsideration of the Commission's Order may be requested under Section 1004 of the Commission's Rules of Practice and Procedure (65-407 C.M.R.110) within 20 days of the date of the Order by filing a petition with the Commission stating the grounds upon which reconsideration is sought.
2. Appeal of a final decision of the Commission may be taken to the Law Court by filing, within 30 days of the date of the Order, a Notice of Appeal with the Administrative Director of the Commission, pursuant to 35-A M.R.S.A. § 1320(1)-(4) and the Maine Rules of Civil Procedure, Rule 73, et seq.
3. Additional court review of constitutional issues or issues involving the justness or reasonableness of rates may be had by the filing of an appeal with the Law Court, pursuant to 35-A M.R.S.A. § 1320(5).

Note: The attachment of this Notice to a document does not indicate the Commission's view that the particular document may be subject to review or appeal. Similarly, the failure of the Commission to attach a copy of this Notice to a document does not indicate the Commission's view that the document is not subject to review or appeal.